



# FloorPrep

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Legislative Digest

Friday, June 9, 2000

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J.C. Watts, Jr.  
Chairman  
4th District, Oklahoma

*House Meets at 9:00 a.m. for Legislative Business  
No votes after 2:00 p.m.*

*Anticipated Floor Action:*  
**H.R. 8—Death Tax Elimination Act**

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## **H.R. 8 – Death Tax Elimination Act of 2000**

**Floor Situation:** The House will consider H.R. 8 as its only legislative business of the day. On Thursday, June 8, the House passed a modified closed rule that provides one hour of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. The rule waives all points of order against consideration of the bill and provides that the amendment recommended by the Committee on Ways and Means now printed in the bill shall be considered as adopted. Additionally, it provides for consideration of the amendment in the nature of a substitute, if offered by Mr. Rangel or his designee, shall be debatable for one hour equally divided between the proponent and opponent, and provides one motion to recommit with or without instructions.

**Summary:** The bill phases in a repeal of estate, gift, and generation-skipping taxes. Prior to full repeal in 2010, the estate and gift tax rates would be reduced as follows: in 2001, the 55 percent tax rate and the 5 percent surtax would be repealed, in 2002, the highest rate would be 50 percent. Each of these rates would be reduced by 1 percentage point per year from 2003 through 2006, 1.5 percentage points in 2007, and 2 percentage points in 2008 and 2009. No rate would be reduced below the lowest general individual income tax rate for unmarried individuals and the highest rate would not be reduced below the highest general individual income tax rate for unmarried individuals. Additionally, the State death tax credit rates would be reduced in proportion to the Federal estate and gift tax rate reductions.

Beginning in 2001, the unified credit (currently applied to the first \$675,000) would be converted to an exemption so that the lowest statutory rates would apply to the value of an estate exceeding the exemption amount. After repeal of the estate, gift, and generation skipping taxes, heirs would inherit assets with the descendant's cost basis, except that \$3 million of assets left to a surviving spouse and \$1.3 million of assets left to heirs would continue to have a date of death value basis.

The bill expands conservation easements by modifying the distance requirements. Under the bill, the maximum distance of eligible land from a metropolitan area, national park, or wilderness area would be increased from 25 to 50 miles, and from an Urban National Forest, it would be increased from 10 to 25 miles. The bill would also clarify that the date for determining easement compliance would be the date on which the donation was made.

A full review of revenue effects is available on the Joint Committee on Taxation website <http://www.house.gov/jct/x-53-00.pdf>. H.R. 8 was introduced by Ms. Dunn *et al.* on February 25, 1999, and reported from the Committee on Ways and Means by a vote of 24-11 on May 25, 2000.

**Views:** The Republican leadership supports passage of H.R. 8. At press time the administration's position was not available.

#### **Amendments:**

**Mr. Rangel** may offer an amendment in the nature of a substitute that provides a 20% across-the-board reduction to estate and gift tax rates; increases the limit on the small business exclusion from \$1.3 million to \$2 million; provides that a portion of the exclusion not used in the estate of the spouse first to die will be allowed to the estate of the other spouse; and increases immediately the exemption equivalent of the unified credit against estate and gift taxes to \$1.1 million with a further increase to \$1.2 million in 2006. Offsets include restoring the phase out provisions of the unified credit repealed in the Taxpayer Relief Act of 1997; eliminating the valuation discounts except as they apply to active business assets; and repealing the state inheritance and estate taxes deductions.

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